



Cooperative Agreement 690-A-00-05-00077-00

**Semi- Annual Report
April 2005 to September 2005**

Incorporating

**Quarterly Report
July 2005 to September 2005**

Cooperative League of USA (CLUSA) International Development Enterprises (IDE) Emerging Markets Group (EMG)



Table of Contents	
ADMINISTRATIVE DATA	3
FINANCIAL DATA	3
PROGRAMME OVERVIEW	4
PROGRAMME MANAGEMENT & ADMIN	6
INDUSTRY SELECTION PROCESS	7
ACTIVITIES IN THE COTTON INDUSTRY	9
ACTIVITIES IN THE LIVESTOCK INDUSTRY	10
ACTIVITIES IN THE NTFP INDUSTRY	13
ACTIVITIES IN THE TOURISM INDUSTRY	13
GRANTS MANAGEMENT UNIT	14
MARKET SCANNING	14
CROSS CUTTING ISSUES	15
ACTIVITIES FOR FOLLOWING QUARTER	18

PRODUCTION, FINANCE AND TECHNOLOGY (PROFIT)

ADMINISTRATIVE DATA

Country	Zambia
Project Title	Production, Finance and Technology
Cooperative Agreement No	690-A-00-05-00077-00
Implementing Agency	NCBA/CLUSA
USAID Technical Office	SO5/Dann Griffiths
Date of Last Evaluation/Audit	N/A
Date of Next Evaluation/Audit	N/A

FINANCIAL DATA

Date of Authorization	April 1 st 2005
MAARD Number	6110005.01-3-04073
Total Estimated Amount	\$14,999,840
Total Federal Funds Authorization	\$2,500,000 (accurate Sept 2005)
Appropriation	7241021.1
BPC	GDVA-04-21611-KG13
Outlays this year	\$516,027 (accurate August 2005)
Total Outlays to date	\$516,027 (accurate August 2005)
Unobligated balance of Federal Funds	\$1,983,973 (accurate August 2005)

PROGRAMME OVERVIEW

The PROFIT programme was awarded in April 2005, so this report documents activities from that time to the end of September 2005. The activity dominating the first six months of the programme has been the establishment of the programme and the administrative and logistical procedures associated with this. On the technical side, the PROFIT year one workplan was developed and by the year end was awaiting final approval. Consequently, while a number of future activities and partners have been identified, no actual PROFIT technical activities have taken place this year.

The exception to this has been the Emergency Plan HIV/AIDS sensitisation programme, which was initiated in May in order to ensure delivery of the results by March 2006.

Overview of Achievements:

- PROFIT programme awarded in April 2005 and the consortium of organisations (CLUSA, IDE and EMG) was formed, and contracts were issued to key staff
- New PROFIT office accommodation was established and equipped in Lusaka, with field offices in Choma and Kabwe, and smaller offices in Mongu and Solwezi.
- The PROFIT field staff was identified, trained and deployed to their areas of operation in Southern, Central, Western and North Western Provinces
- An internal team building exercise was held for senior staff from the PROFIT consortium in June 2005
- Members of the PROFIT team attended a SO5 stakeholder's consultation to assist in the development of the Year One workplan in July 2005
- PROFIT staff underwent a number of training exercises in Lusaka and in the districts.
- Senior field and office technical staff were trained in market development understanding and methodologies in September 2005
- As part of the training process, field staff have been conducting market scanning exercises in their regions of responsibility, assessing the characteristics of the rural private sector and the dominant industries of each area to determine areas of intervention in the early stages of the project
- A detailed workplan was developed and submitted for approval
- A draft Grant Management Manual was developed
- The programme procurement process was started in May 2005 and concluded in September 2005
- A subagreement was signed with Comprehensive HIV/AIDS Management Programme (CHAMP) and activities began on PROFIT's Emergency Plan HIV/AIDS sensitisation programme in June 2005. Since then, activities have been scaled up in Central and Southern Provinces in conjunction with the ZNFU

- Several field visits were undertaken by the Head Office team to assist field staff in their local market scanning activities and establish private sector partners for the implementation of the programme.
- A consultancy was undertaken to investigate the need for PROFIT intervention in the Zambian poultry sub-sector in August 2005
- A consultancy was initiated in September 2005 to establish an inventory of Community Based Tourism enterprises and to determine where in that sector PROFIT intervention would be most valuable.
- Draft Memoranda of Understanding were compiled in September 2005 with various partner organisations pending finalisation and approval of the PROFIT workplan

Overview of Challenges:

- The procurement process has been lengthier than was originally planned with vehicles and motorbikes and some office equipment purchased but not yet delivered.
- The reorientation of technical staff away from the philosophies and methodologies of previous programmes to those of PROFIT has been slow and will require constant attention in the early phases of the programme
- Without having an operational workplan, deployment of field staff has been done on a 'best guess' basis, and actual locations of staff may have to change once the workplan becomes operational and programme priorities are established
- A delay in the obligation of Emergency Plan funding has led to disruption of the HIV/AIDS sensitisation programmes in the 2nd quarter of the programme.

PROGRAMME MANAGEMENT AND ADMINISTRATION

With the programme being initiated in April 2005, the process of establishing the programme, sourcing office space both in Lusaka and in the regions, procurement and staff recruitment, relocation and training dominated the year.

Detailed Management & Administration Activities and Outcomes for the Quarter:

Activity description	Outputs
Lusaka and field office space identification, securing, and make ready	<ul style="list-style-type: none"> Secure office accommodation for the PROFIT staff and assets in Lusaka, Choma and Kabwe
Networking of office and rehabilitation of premises	<ul style="list-style-type: none"> More efficient communications and better office environment for Head Office staff
PROFIT Finance Director visit to Washington to assist in the development of the PROFIT financial reporting systems	<ul style="list-style-type: none"> Better understanding of the interface between local and Home Office financial reporting
Team building exercise held for senior staff in July	<ul style="list-style-type: none"> Consistency in understanding of the PROFIT programme between the three consortium members
Four day training in Lusaka for senior technical staff in September	<ul style="list-style-type: none"> A greater understanding among staff members of objectives of PROFIT and the role the staff will play in rural private sector development
Development of staffing structure, including job descriptions and reporting lines	<ul style="list-style-type: none"> Finalised staffing structure with job descriptions and preliminary performance benchmarks
Staff location	<ul style="list-style-type: none"> Staff presence in the following districts: Solwezi Kitwe Kabwe Mkushi Serenje Mumbwa Chibombo Chongwe Mazabuka Monze Choma Kalomo Livingstone Mongu
Development of the PROFIT year one workplan	<ul style="list-style-type: none"> A clear and approved strategy for programme interventions and activities
Development of a Monitoring and Evaluation plan for PROFIT initiated	<ul style="list-style-type: none"> Indicator and assumption tables developed in readiness for the input of the EGAT impact assessment team next quarter

Challenges

- Some suppliers of capital equipment have been slow to supply goods, especially motorbikes and vehicles, giving rise to some logistical challenges for the field staff
- Two of the five vehicles handed over by USAID were in mechanically poor condition and have been sent to an automotive repair business for rehabilitation
- The geographical location of field staff necessarily had to be determined before the programme started, and management and staff have to maintain flexibility in the light of programme developments over the next year and some staff may have to be relocated to areas more relevant to programme objectives.
- The reorientation of staff, particularly field staff, away from methodologies with which they are comfortable derived from previous programmes to those of PROFIT has proved a slow process needing constant attention over the initial phases of the programme
- Unexpected delays in the arrival of the USAID/EGAT team have delayed the finalisation of the PROFIT Monitoring and Evaluation plan

INDUSTRY SELECTION PROCESS

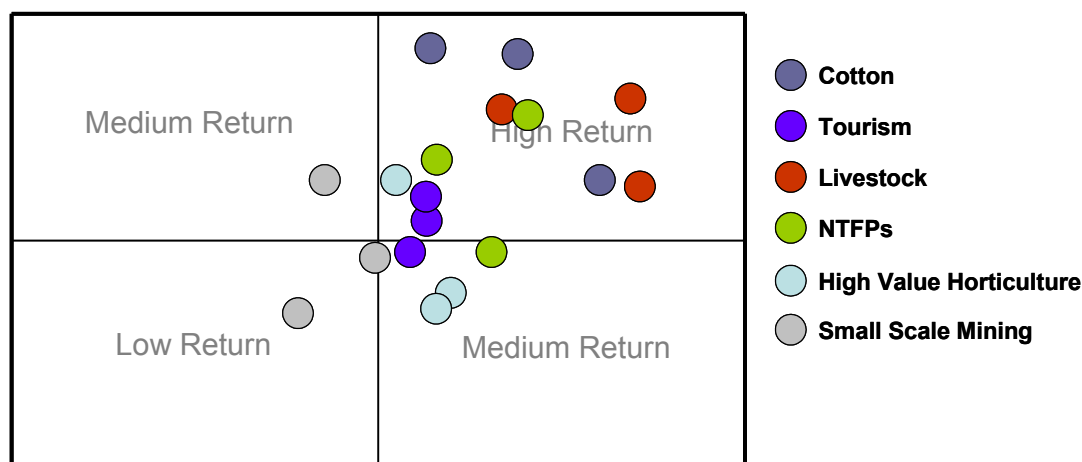
As part of the development of the workplan, PROFIT conducted an industry selection process, focussed primarily on those industries identified by USAID as being ones for which significant potential exists, namely the cotton, non-timber forest products (NTFPs), tourism, small scale mining, high-value horticulture, and livestock sectors. This process was designed to focus the workplan for the first year of the programme on those industries in which interventions by PROFIT would have the greatest potential return on investment. The basic criteria used in this analysis were:

Growth Potential—To determine growth potential two factors were chosen. The first factor was the growth potential for the industry in general based on market trends. The second factor was the capacity of the Zambian industry to organize an effective supply response to the growing demand.

Scale and Impact Potential—To determine the scale and impact potential PROFIT looked at the potential scale, which is defined by number of MSEs that could participate in and benefit from a growing industry. PROFIT also looked at the potential impact, which is defined by the potential income gains for MSEs.

Industry Leadership – To determine industry leadership PROFIT looked at the lead firms in the industry (i.e., the larger firms that are driving or could drive greater industry growth) to assess their commitment to MSE upgrading as an important part of industry competitiveness. PROFIT also assessed the commitment of industry leaders to growing the overall Zambian industry.

Consolidated Analysis



Criteria	Cotton	Tourism	Livestock	NTFPs	High-Value Hort.	Small-Scale Mining
Growth	High	High	High	High	High	Medium
Scale	High	Medium	High	Medium	Medium	Low
Leadership	High	High	High	High	Medium	Medium
Consolidated	High	Medium-High	High	Medium-High	Medium	Low-Medium

Consolidated Analysis—From the consolidated analysis it is clear that the cotton and livestock industries provide the best potential for returns to USAID and PROFIT. Non-timber forest products (NTFPs) and tourism also provide a reasonable potential for returns. However, high value horticulture and small scale mining have less potential at this time primarily due to poor industry leadership and inability to achieve scale, respectively. While it is likely to change and PROFIT will continue to scan the market for changing opportunities, PROFIT will initially target cotton, livestock, NTFPs, and tourism.

While no actual operational activities have taken place in the two quarters since the inception of the programme, Lusaka and field staff have been gathering information on these target industries within their regions and establishing points of contact with local industry players, and well as other stakeholders within the districts. This is part of a much wider information gathering exercise concerning the workings of the entire local private sector that will both form part of a general baseline, and also help to target specific PROFIT interventions once the programme starts.

ACTIVITIES IN THE COTTON INDUSTRY

While no specific activities have taken place within the cotton sector, significant progress was made in developing a detailed strategy for intervention within the sector. This strategy relies strongly on a role for the Conservation Farming Unit (CFU) with their technical skill in training farmers in sustainable farming practises. During the last quarter of the year, a broad scope of work was defined for the CFU who, in conjunction with PROFIT staff and with the assistance of Dunavant Zambia Ltd., will train farmers in productivity enhancing farming practises for the entire cropping regime, with cotton as the main commercial crop. The trainings will be focused on lead farmers, who will develop demonstration plots and conduct field days for their 'constituents'.

It is acknowledged that this form of intervention is donor-dependent and unsustainable, so in parallel to the direct training programme, PROFIT, CFU and Dunavant will assess ways by which the farmer-led extension delivery and technology adoption can be incentivised to be continued beyond the life of the project intervention.

In conjunction with this strategy of developing the 'pull' factor whereby the relationships between the lead firm and the farmer encourage the farmer to adopt new and production-enhancing technologies, PROFIT will also over the course of the programme be assisting in the development of the 'push' factor, whereby locally based private sector service providers are able to provide goods, services and information that enhance production and technology adoption.

The hypothesis behind this strategy lies in the fact that by its structured nature and by fact of the very large numbers of farmers engaged in it, the cotton industry provides an effective and efficient leverage point into the general smallholder farming system in Zambia. Without some direct agricultural production capacity building centred around cotton, but including secondary commercial and food security crops, and the subsequent increase in farmer income, ability to pay and commercial awareness, the more indirect and ultimately more sustainable interventions in input supply and service provision development would prove difficult.

Detailed Cotton Industry Activities and Outcomes April 2005 – Sept 2005:

Activity description	Outputs
Industry overview and value chain analysis	<ul style="list-style-type: none">• Confirmation of the validity of choosing cotton as an important industry for PROFIT intervention
Discussions with lead firms, namely Dunavant and Continental, to finalise initial strategy	<ul style="list-style-type: none">• Understanding of the various different models of outgrower scheme within the industry and where PROFIT interventions can most effectively be made

Activity description	Outputs
Development of a detailed workplan for CFU	<ul style="list-style-type: none"> • Finalising the role of CFU within the PROFIT cotton intervention programme and beginning to develop an exit strategy for the farmer training component
Discussions with Cotton Development Trust	<ul style="list-style-type: none"> • Outlining areas of collaboration between PROFIT and CDT, focusing on commercial research into new technologies and the effective rolling out and adoption of these to the farming community

Challenges

- With the agricultural season 2005-06 fast approaching, the training programme will, once it is initiated, be too late for impressing the importance of good land preparation practises and early planting.
- Initially, Dunavant has been identified as the most effective private sector partner with which to work, but PROFIT must also develop relationships with other players demonstrating similar levels of industry responsibility (eg Clark Cotton in Eastern Province) to demonstrate industry-wide intentions early on in the programme

ACTIVITIES IN THE LIVESTOCK INDUSTRY

Activities in the livestock sector have concentrated on continued value chain analysis by Lusaka and field staff. Being a significantly more complex industry than cotton, the livestock sector requires detailed research into the relationships between the main players within the value chain and also on the most effective areas for PROFIT interventions. Due to the economic significance of the smallholder cattle industry, and the significant number of constraints inhibiting efficient development, PROFIT has identified this sub-sector as one in which interventions would have the greatest return on investment. To address these constraints and thus increase efficiency and improve quality, PROFIT will target the ineffectiveness of and inefficiency in the input and output relationships within the red meat value chain, once these relationships have been identified by continued research.

During the quarter, a study was undertaken by a short term consultant on the poultry value chain to identify the multiple channels of the industry and to ascertain smallholder involvement, and to assess the need for PROFIT intervention. This industry has grown by over 20% in the last two years and is set to double in the next five years if current growth rates continue. There are an estimated 10,000 poultry

growers in Zambia in the 'commercial' sector, and thus the scale of the industry is significant. Both these factors are important components of the PROFIT industry selection criteria, so a thorough analysis was a necessary step

To intervene or not – a summary of PROFIT's possible role in the poultry industry

The future competitiveness of Zambia's poultry industry in both domestic and potentially regional export markets will require the capacity to offer growers a more reliable source of low cost inputs (particularly maize for stock feed and day old chicks), the capacity to retain its "disease free status" through a much stronger preventative and disease response treatment mechanism and the leadership to influence the regulatory and policy environment (eg import bans, stable currency) to take advantage of future export opportunities and protect against future threats such as cheap imports. Should the Profit project intervene in Zambia's poultry industry to address these competitive challenges?

If left alone, the poultry industry could follow patterns of growth elsewhere where commercial integrators (eg companies which integrate growing, processing and marketing) gradually overtake the live bird channels by producing lower cost poultry products and market them to all income groups. The likelihood of this scenario is stronger in a context of increasing incomes among all Zambians. Today, the industry possesses the inputs, the genetic technology, the production technology and a favourable policy environment (eg a ban on imported products) to advance along this pattern of growth. Under this scenario, there is a question as to whether development assistance is justified either through PROFIT or other development assistance agencies. At the same time, today's Zambian poultry industry exhibits some systemic weaknesses/constraints that could undermine this pattern of growth and justify external assistance. In some areas, not all, the PROFIT project could intervene with assistance.

- The recent expansion of Zambia's poultry industry is partly explained by a ban on poultry imports imposed to protect the industry from disease while at the same time enabling growth without competition from cheaper imports. With Avian flu in South Africa and bans in place in other African country, there may not be much pressure in the near/medium term to remove the ban. Industry leaders are in the best position to address this and other policy/regulatory issues given their organization and commercial interests. As such, there is no role for PROFIT here.
- A more reliable and low cost source of maize will be determined by forces and actors with much greater influence on agriculture and food security policy than poultry industry leaders. The search for alternative cassava-based stock feeds may present a promising alternative. In either case, the broad policy issues on maize prices and technology development on feed alternatives are beyond PROFIT's mandate or capacity to influence.
- A more reliable and low cost supply of day old chicks is potentially achievable through better demand forecasting and distribution systems especially targeting the large number of "backyard" growers who currently represent about 40% of all DOC sales. Backyard growers are inconsistent buyers of day old chicks undermining the capacity of breeders to effectively serve them resulting in periods of industry wide shortages and gluts. PROFIT could play of role in pilot testing an information exchange mechanism to capture segmented data of DOCs demand (& stockfeed) and deliver relevant supply and other production information to growers, breeders and stockfeed companies.
- Retaining the industry's disease free status is a challenge made more difficult by the large number of small poultry raisers without access to preventative, diagnostic and treatment services. The industry needs to strengthen its poorly functioning disease response mechanism and improve access to preventative care and treatment services to small growers. PROFIT could demonstrate the viability of private sector led veterinarian services for small growers.
- Outgrower schemes in Zambia have evolved to where very few outgrowers grow large numbers of birds. PROFIT could play a role in working with interested processors to test an alternative outgrower scheme based on larger number of small growers which spreads risks and potentially increases outgrower efficiency

Detailed Livestock Industry Activities and Outcomes April 2005 – Sept 2005:

Activity description	Outputs
Industry overview and value chain analysis in all operational areas	<ul style="list-style-type: none"> • Confirmation of the validity of choosing the red meat sector as an important industry for PROFIT intervention
Initiation of a beef industry study in Choma, Kalomo, Mumbwa and Mongu conducted by PROFIT staff	<ul style="list-style-type: none"> • A better understanding of the input and output relationships in the cattle industry in areas of high cattle density and industry potential. Results and analysis will be compiled in the next quarter, and will form the basis of an operational baseline survey
Assessment of various active models of livestock marketing (eg the Turnpike market in Kafue District)	<ul style="list-style-type: none"> • An understanding of the strengths and weaknesses of current marketing systems
Consultancy conducted to analyse the poultry sub-sector in Zambia by Marshall Bear in September 2005	<ul style="list-style-type: none"> • An understanding of the structure of the poultry industry and the role played by smallholder farmers and the marketing channels utilised. Also the consultancy will highlight the links (or lack of links) to the various input providers (vets, feed suppliers and information. The findings from the consultancy will be available next quarter.

Challenges

- The disconnectedness of the livestock industry and the weak and ineffective linkages between players makes it a difficult one in which to gain traction and to scale up activities in the short term. PROFIT intends to develop various pilot projects in key livestock areas over the next quarter to develop models for intervention on a wider scale.

ACTIVITIES IN THE NON TIMBER FOREST PRODUCT INDUSTRY

No programme interventions took place during the quarter, but partners for forthcoming activities were identified and an industry upgrading strategy outlined as part of the workplan development. PROFIT will focus largely on improving the efficiencies of the honey outgrowing system, with particular attention being paid improving the embedded service provision from the lead firm to the producers. It is acknowledged that low productivity and the poor quality of honey from traditional hives contribute to a potential lack of competitiveness in the Zambian honey sector and PROFIT will identify and develop systems within the outgrower schemes through which improved production technologies (improved management, new hive technology) and can be accessed and adopted by producers.

Detailed NTFP Industry Activities and Outcomes April 2005 – Sept 2005:

Activity description	Outputs
Memorandum signed with Forest Fruits Ltd	<ul style="list-style-type: none">• Develop working relationship with the major player in the honey industry
Discussions with the Honey Council	<ul style="list-style-type: none">• Understanding of the role of this fledgling organisation in industry development and potential roles for PROFIT in the future
Training staff selected	<ul style="list-style-type: none">• Two members of staff selected to work with beekeeper groups affiliated with Forest Fruits Ltd on productivity improvement and technology adoption

ACTIVITIES IN THE TOURISM INDUSTRY

The main activity within the tourism sector was the design and implementation of a consultancy assessing the current status of Community Based Tourism in Zambia. While there is some understanding of the type and location of most of the tourist assets available, there is limited knowledge about the extent to which local communities are benefiting, the constraints to increased contribution and benefits, the commercial sustainability of the programmes currently operating, and potential opportunities based on scaling up already proven models. It is acknowledged that the tourism sector is disaggregated and largely disconnected, and by its very nature geographically scattered, so PROFIT interventions are over the course of the programme unlikely to affect significant numbers of communities. However, the study being undertaken by PROFIT hopes to identify currently existing models with a commercial orientation that could be replicated or scaled up with PROFIT assistance in the future.

It is hoped that the outcome of this study will be a basic understanding on the commercial nature of CBT, and a tailored grant programme will be designed around this.

Detailed Tourism Industry Activities and Outcomes April 2005–Sept 2005:

Activity description	Outputs
Design CBT consultancy and select consultant	<ul style="list-style-type: none">• Finalised scope of work and budget, and contract signed
Analysis undertaken	<ul style="list-style-type: none">• Comprehensive inventory of CBT activities in Zambia and suggestions for PROFIT intervention – to be completed in November 2005

GRANTS MANAGEMENT UNIT

The main activity during this quarter was the finalising of the grants management manual and its submission to NCBA Washington for concurrence.

During September, proposals developed by Conservation Farming Unit and the Agribusiness Forum, both potential early and significant grantees, were assessed.

MARKET SCANNING

The area of market scanning is critical at the onset of the programme, and constituted the majority of technical activities since the inception of the programme. Using the industry selection criteria developed early on in the programme, PROFIT has been able to analyse developments in the agricultural sector and even since April, a number of other industries of significant potential have arisen that may prove a valuable investment for PROFIT.

Market Scanning Activities April 2005 – Sept 2005

- **Horticulture:** A series of meetings was held with the management of Freshpikt, a consortium of Zimbabwean investors who are rehabilitating the former Zamhort food processing factory. The management project that in two years, 350-400t of fresh produce (tomato, sweet corn and beans initially) will be required per day to supply the factory, of which approximately 50% will be sourced from the smallholder sector. They express interest in the development of out-grower and agent-based schemes to facilitate this production and express interest in working with PROFIT to develop these. This development has the potential to alter the face of the smallholder fresh produce sector in the Lusaka area and beyond. Freshpikt are also interested in assessing the viability of their pineapple processing facilities and will, with PROFIT assistance, conduct an initial feasibility study into the Zambian production capacity and its match with the company's processing and marketing potential.

- **Paprika:** The initial PROFIT industry selection process ruled out paprika as an industry in which PROFIT intervention would provide a solid return on investment, due to the discordant and destructive nature of the lead firms in the industry. However, meetings have been held with two new investors in the industry, both Zimbabwean originated, who intend to engage smallholder and commercial growers in out grower schemes, and express the intention of investing in the smallholder production base. During the next quarter, PROFIT will develop working relationships with both new and old players in the industry to assist in developing and enhancing the efficiencies of their outgrower schemes.
- **Agricultural Input Retail Networks:** It is becoming increasingly apparent that one of the main constraints to agricultural productivity across all sectors is the lack of access in many rural areas to inputs and improved agricultural technologies. It is PROFIT's intention to assist in the development of a private sector network of service providers with an emphasis on assisting rural retail facilities to gain access to the goods and services of the commercial sector. To this end, several meetings were held with commercial input suppliers such as Cropserve, Syngenta and Greenbelt Fertilisers to assess the role PROFIT could play in facilitating the interaction between commercial suppliers and rural outlets. A commercial input supplier in Mkushi was identified as a potential pilot with whom to trial a franchise type model.

CROSS CUTTING ISSUES

With no actual operations taking place during this time period, issues concerning the areas of ICT, gender, producer organisations and environment were only touched upon as part of the general information gathering exercise being undertaken prior to the approval of the workplan.

HIV/AIDS

However, with the time constraints placed on the one year programme, the HIV/AIDS sensitisation component of PROFIT started in July. A sub-agreement was signed with Comprehensive HIV/AIDS Management Programme (CHAMP) which is conducting this sensitisation exercise with the help of PROFIT staff and local farmer groups and representatives. The focus of activities is Abstinence, Being Faithful and correct and consistent condom use for at-risk populations. This approach emphasises abstinence for youth and unmarried persons, including the delay of sexual activity, mutual faithfulness and partner reduction for sexually active adults. Where people especially face the risk of transmitting or becoming infected with HIV, support for correct and consistent condom use through the provision of full and accurate information on risk situations is included in the programme. As much of the emphasis in past prevention campaigns and the perception that abstinence and being faithful are not relevant to adult populations, the approach seeks to provide balanced information on abstinence and being faithful which will result in a

comprehensive and effective prevention strategy that helps individuals to personalise risk and develop tools to avoid risky behaviours under their control.

The PROFIT HIV component being implemented by CHAMP has specific targets, which are:

- 500 community outreach HIV/AIDS prevention programmes that promote abstinence and or being faithful
- 500 trained peer educators to carry out the prevention programmes in the community
- 150,000 individuals to be reached with community outreach HIV/AIDS prevention programs

PROFIT's strategic partnership with the Zambia National Farmers Union has provided an opportunity to utilise ZNFU infrastructure and affiliated farmers for implementation of the HIV programme.

Out of the six targeted Provinces, CHAMP has already undertaken activities in done four Provinces those being Lusaka, Central, Southern and Eastern

- Lusaka province – Chongwe and Kafue districts trainings undertaken
- Central province – Chibombo and Mumbwa districts trainings undertaken
- Southern province – Choma, Mazabuka and Monze districts trainings undertaken
- Eastern province – Petauke, Nyimba and Katete districts training undertaken

From the targets indicated above, the following has been achieved:

- 319 trained peer educators have been trained to promote AB prevention
- 17,240 small-scale farming community members have been sensitised on abstinence and being faithful prevention

Targets	Achievements for the April to Sept 05 period	Cumulative results	Remarks
150,000 Individuals reached with community outreach HIV/AIDS Prevention programmes that promote abstinence and/or being faithful	17,240	17,240	The enthusiasm, commitment and the dedication shown by the peer educators in carrying out the outreach HIV/AIDS prevention on the A&B has been significant

500 community outreach HIV/AIDS Prevention programmes that promote abstinence and/or being faithful	300	300	Due to the shortfall of the expected numbers of trained peer educators the outreach programme has not been effective in other communities that are not yet covered and for not having trained peer educators.
500 individuals trained to provide HIV/AIDS prevention programmes that promote abstinence and/or being faithful	319	319	At the time of reporting the training peer educators was on hold, while the review meetings have continued to be held on monthly bases with the peer educators in the districts, in order to carry on with the monitoring and evaluation of the outreach programmes in the communities

FINANCE

With many of the activities planned in the financial sector scheduled for the last quarter of 2005, there is little to report for the first six months of the programme, other than the development of a strategy based on assisting in increasing access to finance by producers and processors, particularly through value chain finance and warehouse receipting but also through other financial products such as leasing and insurance.

PROFIT has assumed the role of monitoring the DCA warehouse receipt credit facility through the engagement of Peter Armond, an experienced banking and financial consultant, who will be in contact with the four banks registered under the scheme monitoring their advances against the DCA guarantee.

Since PROFIT assumed this role, there has only been one facility advanced under the scheme, by Finance Bank to the Producer Owned Trading Company in Chipata for ZMK 459,000,000 (\$105,000) for the deposit of groundnuts. While it is encouraging to note the expansion of the warehouse receipt facility to encompass non-maize crops, the fact that this was the only loan advanced under the scheme since January 2005 is disappointing.

However, the unusual conditions that have characterised the crop marketing season in 2005 have not made it attractive for potential borrowers to avail of facilities under the DCA Guarantee. There were sharp increases in the price of maize soon after the main harvesting period began in June due to the poor rains and an anticipated

shortfall in the national food budget of 186,000 tons once it became clear the harvest had reduced from a 2004 level of 1.3 million tons (100,000 tons over annual national consumption) to 900,000 tons for the 2005 harvest. The sharp price increases early on in the marketing period meant it was not financially beneficial for producers to borrow under the warehouse receipt facility but rather hold crop for a short period of time to realise significant price gains.

It is unlikely that the facility will be utilised in the coming quarter for the same reasons.

ACTIVITIES FOR THE QUARTER OCTOBER – DECEMBER 2005

ADMINISTRATION AND PROGRAMME MANAGEMENT

- Programme Launch
- Finalise PMP in collaboration with USAID/Zambia and EGAT

THE COTTON INDUSTRY

- Finalise grant to Conservation Farming Unit for cotton farm system extension scheme
- Implement training programme in Monze/Choma in conjunction with CFU and Dunavant.
- Work with CFU and Dunavant to assess the efficiencies of the outgrower scheme and the development of incentives around improved practise adoption and extension
- Develop a pilot project in Choma/Monze based on the supply and demand for commercial sprayer services
- Work with CDT and Dunavant distributors to establish irrigated cotton trials in Southern Province

THE LIVESTOCK INDUSTRY

- Finalise value chain analysis at national and local level
- Develop and implement pilot projects based on this analysis:
 - a) Vet service delivery systems development. Vet business development training and the development of payment structures and initial contracts between service providers and farmers. Collaboration with Land o Lakes
 - b) Output marketing structure development – eg scale-based transactions or auctions. Collaboration with ZNFU
- Commercial vet / community livestock assistant relationship development in Mkushi
- Finalise poultry industry study and assessing scope for PROFIT intervention
- Ongoing industry analysis assessing lead firms, feedlot structures etc

THE NON TIMBER FOREST PRODUCT INDUSTRY

- Initiate producer capacity building training and outgrower scheme development with Forest Fruits Ltd, with a focus on production technology dissemination
- Initiate processing technology research and development in conjunction with Forest Fruits Ltd
- Outgrower scheme development with a commercial honey producer in Mkushi and market linkage with Forest Fruits
- Initiate consultancy into propolis industry development

THE TOURISM INDUSTRY

- Finalise the current Community Based Tourism consultancy and inventory
- Based on the results of this study, design a tourism grant based around CBT development
- Collaborate with WB/SEED in a major Livingstone tourism survey establishing backward linkages into agricultural supply chains

MARKET SCANNING

- Paprika:
 - Initiate pilot projects based on outgrower scheme development with Cheetah in Mumbwa and Capsicum in Mkushi
 - Continue talks with SAEKO on collaboration in outgrower scheme development
- Horticulture:
 - Continue talks with Freshpikt on collaboration in outgrower scheme development
- Pineapples:
 - Conduct feasibility study on developing the processed pineapple industry in collaboration with Freshpikt
- Cassava:
 - Participation in task force developing the industrial cassava industry with CHC, Freshpikt and ZB
 - PROFIT intervention based on collaboration with CHC on outgrower scheme/agent structure development
- Agricultural input retail networks:
 - Pilot project in Mkushi establishing commercial relationships between large scale input supplier and small rural retail outlets
 - Continued industry analysis and discussions with Seedco, Syngenta, Cropserve and Greenbelt Fertilisers on how to move the industry forwards and increase distribution network

- Agribusiness Forum:
 - Finalise grant to ABF for outgrower industry development based on finance, innovation and learning components

GRANTS MANAGEMENT UNIT

- Finalise grants manual and be given approval
- Design and award of CFU grant
- Design and award of ABF grant
- Launch of Innovation Grant Scheme
- Design of Tourism Grant
- Design of Finance Grant

CROSS CUTTING ISSUES

- ICT:
 - Continue discussions with service providers with the aim of designing an intervention based on selected industries in collaboration with ILO BDS programme
- Finance
 - Initiate consultancy around value chain finance and backroom services to outgrower industry and mechanisms for credit guarantee and risk sharing (working with Peter Armond and banking sector)
 - Working with MATEP on opportunities for DCA
 - Assisting ABF develop the access-to-finance component of the PROFIT grant
- HIV/AIDS:
 - Resume CHAMP sensitisation programme in collaboration with ZNFU